

Message Text

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ACTION TRSE-00

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FOR NAC AGENCIES

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TAGS: EAID, EFIN, VS

SUBJ: ADB LOAN FOR BINH DINH IRRIGATION PROJECT -
VIETNAM: CHANGES IN SCOPE AND IMPLEMENTATION

REFS: A) MANILA 11412; B) STATE 221641 (BOTH 1971)

SUMMARY: ADB PRESIDENT HAS INFORMED BOARD OF
DIRECTORS OF ACTION BANK HAS TAKEN AT REQUEST OF
BORROWER, TO APPROVE CHANGES IN SCOPE AND IMPLEMENTA-
TION OF SUBJECT PROJECT. SINCE CHANGES CONSIDERED
MARGINAL AND EFFECT LITTLE DIFFERENCE IN ATTAIN-
MENT ORIGINAL LOAN OBJECTIVES, NO BOARD ACTION
DEEMED NECESSARY. END SUMMARY

1. ADB DOC IN.67-74, DTD 3 SEPT 1974 DESCRIBING
PROPOSED CHANGES IN SCOPE AND IMPLEMENTATION OF
PROJECT POUCHED ADDRESSEES 4 SEPT.

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2. ADB MANAGEMENT HAS APPROVED FOLLOWING CHANGES

IN PROJECT:

A) ORIGINAL PLAN WAS TO CONSOLIDATE EXISTING FRAGMENTARY IRRIGATION SYSTEM INTO THREE SEPARATE BLOCKS: I - 3130 HECTARES, II - 3430 AND III - 1940 HECTARES, TOTAL ABT 8500 HECTARES.

ABOVE AREAS WERE ESTIMATES. BANK LACKED ACCURATE MAPS, AND EASTERN BORDER OF PROJECT AREA (NEAR SEA COAST) WAS TENTATIVE DUE UNCERTAINTY EXTENT OF SALT WATER INTRUSION. WITH MORE ACCURATE MAPPING IN PROCESS DETAILED DESIGNS PREPARATION, AREAS IN BLOCK I, II, AND III FOUND TO BE 3350, 4750 AND 1900 HECTARES (TOTAL 10,000 HAS). SINCE WATER AVAILABLE IS ONLY ADEQUATE TO SERVE AREAS OF BLOCKS I AND II COMBINED (8100 HAS), BORROWER INTENDS EXCLUDE BLOCK III FROM SCOPE OF PROJECT AS FIRST CHANGE IN PROJECT.

B) MAJOR PROJECT COMPONENTS AS APPRAISED INCLUDED CONSTRUCTION TWO PERMANENT DIVERSION WEIRS; IMPROVEMENT TWO EXISTING WEIRS, CONSTRUCTION OF TWO PUMPING STATIONS TO IRRIGATE ELEVATED LAND AREAS; CONSTRUCTION AND REHAB OF MAIN, SECONDARY AND TERTIARY CANALS, CONSTRUCTION AND IMPROVEMENT OF ROADS AND DRAINS. AS SECOND CHANGE, BORROWER NOW INTENDS ADD ONE ADDITIONAL DIVERSION WEIR LOWER PORTION OF BLOCK II AND ADD ONE ADDITIONAL PUMPING STATION TO IRRIGATE 140 HECTARES HIGH LAND ORIGINALLY CONSIDERED LOW ENOUGH FOR GRAVITY FLOW.

C) BORROWER ORIGINALLY CONTEMPLATED LOCAL CONTRACTORS WOULD DO CIVIL WORKS USING EQUIPMENT HIRED FROM VIETNAM ENGINEERING AND CONSTRUCTION COMPANY (VESCCO). AS THIRD CHANGE, BORROWER INTENDS PERMIT LOCAL CONTRACTORS OPTION OF UTILIZING OWN EQUIPMENT OR RENTING FROM OTHER COMPANIES HAVING EQUIPMENT FOR HIRE AT REASONABLE COST, THUS NO LONGER REQUIRING CONTRACTORS TO RENT MACHINERY FROM VECCO.

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3. BANK STAFF NOTES CHANGE PROPOSED IN PROJECT AREA DESCRIBED SUB-PARA A ABOVE REPRESENTS ONLY 5 PERCENT REDUCTION IN TOTAL IRRIGABLE AREA ORIGINALLY ENVISIONED FOR PROJECT. ADDITIONAL DIVERSION WEIR AND PUMPING STATION NOTED IN SUB-PARA B ABOVE CAN BE COVERED WITHIN COSTS OF THE PROJECT AS ORIGINALLY ESTIMATED. THE OPTION FOR LOCAL CONTRACTORS IN SUB-PARA C ABOVE TO UTILIZE THEIR OWN OR SEPARATELY RENTED EQUIPMENT HAS NO SIGNIFICANT EFFECT ON COST OF PROJECT.

(COST OF PROVIDING EQUIPMENT OR RENTALS THEREOF ARE CHARGED TO LOCAL CURRENCY COMPONENT FINANCED BY GVN, DO NOT COME OUT OF LOAN.)

4. BANK CONCLUDES ABOVE CHANGES REQUESTED BY BORROWER HAVE NO SIGNIFICANT EFFECT ON CONTINUATION OR VIABILITY OF PROJECT. USING SAME ASSUMPTIONS AS AT TIME OF APPRAISAL, BANK ESTIMATES ECONOMIC RATE OF RETURN OF PROJECT WOULD BE 20 PERCENT AS COMPARED WITH 21.1 PERCENT IN THE APPRAISAL REPORT. THEREFORE, PRESIDENT APPROVED CHANGES ON AUG. 8 AND BORROWER AND BOARD INFORMED ACCORDINGLY.

5. ALTHOUGH USAIDB ENDORSES RATIONALE GIVEN AND ACCEPTS THE MODEST CHANGES IN PROJECT NOTED ABOVE, WOULD HAVE PREFERRED FOR ADB MANAGEMENT TO FIRST CIRCULATE PROPOSED CHANGES ON A NO-OBJECTION BASIS RATHER THAN PRESENTING BOARD OF DIRECTORS WITH A FAIT ACCOMPLI.
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